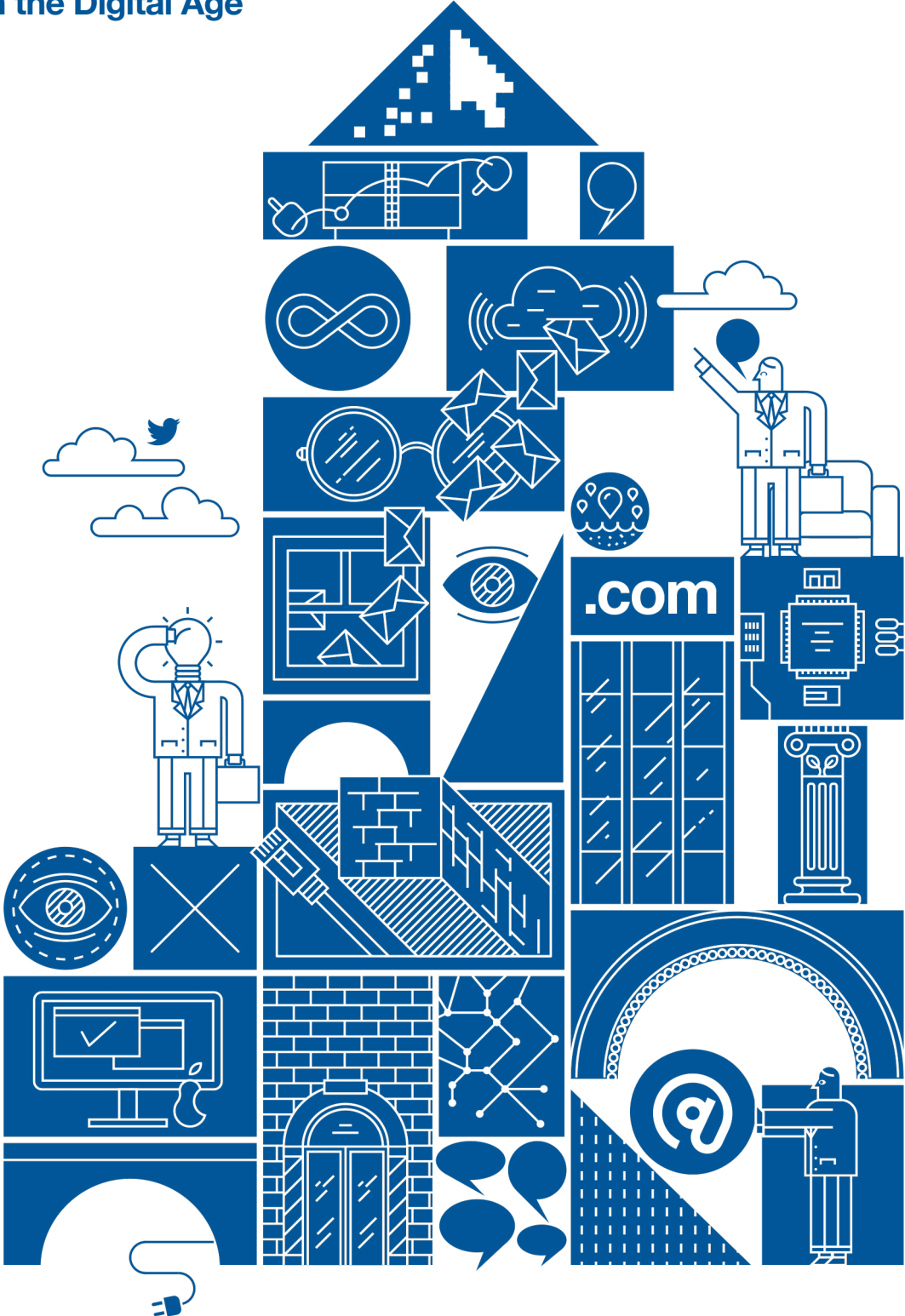


Reinventing the Company

in the Digital Age



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in the Digital Age

New Ways of Working in the Company of the Future

Peter Thomson

Peter Thomson argues that firms are still applying Industrial Age working practices to the new Information Age work patterns. Organizations are still run as hierarchical command systems in a world of networked individuals and self-employed entrepreneurs. Today we are in the middle of the Information Revolution, facing fundamental changes to the way we live and work. The difference is that the current revolution is bringing as much change in a decade as was spread over a century last time. Thomson states that the main issues pushing this tsunami of change are flexible/smart working and increasing demand for work/life balance and job satisfaction. In order for this transformation to work well, nothing less than a revolution in management practices must happen.

Peter Thomson

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Peter Thomson is co-author with Alison Maitland of the best-selling business book *Future Work* (2011). He is an acknowledged authority on the changing world of work and its impact on organizational culture and management practices. He is a Visiting Executive Fellow at Henley Business School where he was Director of the Future Work Forum for sixteen years. He has carried out research in the management of remote teams and has appeared on radio and television as an expert on flexible working. He spent eighteen years as the HR and OD Director of Digital Equipment covering Northern Europe.
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Key Features for the Company of the Future:

Autonomous Employees

Power has to be delegated down to the people at the bottom of the organization for them to feel engaged. They will expect to be treated like adults and be able to decide when, where and how they get the job done. This will give them control over their lives resulting in less stress and higher motivation.

Virtual Teams

People will no longer have to be physically together to belong to a team. Through the use of social technologies and improved video conferencing systems, employees will be able to work together to make decisions and share ideas. There will still be a need for some face-to-face meetings but these will be seen as an expensive alternative, taking up valuable time.

Results Based Rewards

Instead of rewarding effort and encouraging long working hours the organization of the future will reward outcomes. Employees will be encouraged to achieve the results by using their own initiative and to get the job done in the shortest time. This will increase productivity and create a "short hours culture" where the person getting the work done the quickest is recognized as the most productive, not the person working longest.

New Ways of Working in the Company of the Future

The Information Age

We are sitting at a fascinating junction in the history of work. We still have the Industrial Age working practices that have been in existence for the last 200 years, running alongside the new Information Age work patterns. Organizations are still run as hierarchical command systems in a world of networked individuals and self-employed entrepreneurs.

It took many decades and several generations to make the last change of this magnitude. In the Industrial Revolution, work moved slowly from fields to factories and changed the face of society. Today we are in the middle of the Information Revolution, facing equally fundamental changes to the way we live and work. The difference is that the current revolution is bringing as much change in a decade as was spread over a century last time.

So we have twentieth-century working practices (with, in some cases, nineteenth-century management processes) lingering on in established companies whilst new enterprises are working very differently, enabled by technology. Some organizations have recognized that the world is changing around them and are trying to adapt, but many are continuing to operate as if nothing had

happened. Those that do not embrace the changes are in danger of being left behind in the race to attract and retain the most effective workforce, and lose out to more productive competitors.

New Working Patterns

It is obvious to even the most casual observer of working patterns that technology has revolutionized our ability to perform a whole variety of tasks. We can now send and receive emails wherever we are, join in meetings from the other side of the world and keep in touch with our colleagues through a variety of social media. We can access all the documentation from our “office” without ever going near the building and we can keep up with the latest developments in our field without having to attend endless conferences or meetings.

But despite the ability to do work at any place and any time of our choosing, we are still slaves to the routines established by a previous generation of workers. The “norm” for most people in work is to have a job with a fixed location and a fixed set of hours to be present. In return for turning up and fulfilling a job description we pay people a salary, provide benefits and offer a level of financial security. But increasingly this is being seen as a low productivity model which is not very satisfying for the employee and not very effective for the employer.

We now have a generation of young people joining the workforce who have never known a world without the internet. They expect to be able to communicate with their colleagues wherever they are and whenever they choose. They cannot understand the traditional boundaries between home and work life and the need to be tied to a fixed desk in order to get work done. They are questioning the long hours culture and the “presenteeism” pattern of work that has been inherited from previous generations. And they value their personal freedom, expecting to be given some discretion over the place of work in their lives.

Management Revolution

This combination of social change in attitudes towards work, combined with the freedom that comes with technology, is confronting traditional management practices head on. The idea that work has to take priority over the rest of life is now being challenged. Why should we have to fit our personal lives around a fixed pattern of work when many work activities can now be done flexibly? If I can answer my emails from home, or on the move, at a time to suit myself, why am I expected to be at my desk from 9 to 5.30? Why can't I take my children to school then come to the office later, instead of having to be in two

places at once? If we now carry our virtual desk and filing cabinet around with us in our pockets why are we still basing ourselves on fixed workstations at all?

The reason we have fixed patterns of work is largely historical. When work involved passing physical objects to the next person we had to be working alongside them. In manufacturing this is still largely true, although the passing of items is more likely to be between robots than humans in today's automated factory. In the office it is no longer true. We don't need to pass the paper from one desk to the other and we don't need to be in the same room to have a conversation. Yet the "standard" pattern of knowledge work is still to be based at a fixed location for a fixed time.

The management systems, leadership practices and communications processes that we use today were built during the Industrial Age of work. They assume that people are prepared to commit a fixed portion of their lives to their employer and fit their leisure, holidays, and family life around it. This used to work in the days when men were the "breadwinners" and went to work leaving their wife to manage the home and children. But this outdated approach to work does not fit with today's values of equality, freedom, and flexibility.

Flexible Working

Just introducing some part-time work to satisfy demands from parents is no longer sufficient to meet the expectations of the younger workforce. Whether they have caring responsibilities or not, they expect to have some choice about the way they work. They are used to having choice in the rest of their lives. They can shop and be entertained 24/7. They can make adult decisions about what they do at the weekends. But during weekdays they are treated like children. If they don't turn up on time they are likely to be disciplined (despite the fact that they are expected to travel to their workplace at the most congested time of day).

Many employers have introduced flexible working schemes to try to meet the demand from the workforce. Typically these assume the fixed working day as the starting point and allow variations on this to add some agility to the work schedule. So the idea of "core hours" being present in the office still remains strong. Provisions such as working from home or from a satellite office are seen as exceptions. "Presenteeism" rules, and people who are out of sight can easily get forgotten. Managers struggle with knowing what people are doing if they can't see them and often assume they are not as committed as those who come in to the office.

Working from home is seen as an exception. "Presenteeism" rules, and people who are out of sight can easily get forgotten

“Flexible working” is typically an HR policy introduced as an employee benefit aimed at people with family commitments. It is usually associated with provisions such as maternity leave and is designed to accommodate people who can’t work “normal” hours. Consequently it is not taken up by serious career-minded employees. They are still caught up in the long hours culture that dominated the twentieth century and has crept into the twenty-first.

But all that is about to change.

Smart Working

As we come out of a worldwide recession and move towards a shortage of key talent, employers will have to have a fundamental rethink of their approach to work. There already is extensive evidence that people are choosing to move jobs in order to improve their work/life balance. No longer does a big pay

In the age of “smart” working, the new approach to work involves a shift in control from employer to employee

packet bring satisfaction to employees with scarce skills. They recognize that time is as valuable an asset as money. So they will be attracted to work environments where people are expected to have a personal life and not have sacrificed their freedom in the name of career progression.

The new approach to work involves a shift in control from employer to employee. In the age of “smart” working an individual is in control of their own time. They decide when and where to work and are trusted to do so by their boss. There is no assumption that work can only be done in the usual daytime shift at the usual workplace. Many people, particularly those employed for their creativity, do their best work outside of the traditional hours. Why should we constrain people to work at times when they are at their least productive?

But the biggest hurdle that managers have to jump is to stop measuring inputs (hours worked) and start measuring outputs (achieving outcomes). If the basis of recognition for work is what is actually produced, then the time and place of the activity is almost irrelevant. There will be many jobs where there are constraints on when and where work can be done, but these do not have to be imposed by a manager. When someone is trusted to decide for themselves how the job is done they will know the constraints and will work within these parameters.

So, the old version of flexible working (a discretionary gift from management) is being replaced by agile working practices where the individual has genuine autonomy over their working pattern. This is not just a change in the employment contract; it is a revolution in work culture. It involves a shift from

a command and control mentality to a leadership style that empowers people and trusts them to get on with the work. It is a sign that employees are being treated as adults and can make decisions which take into account the needs of the employer as well as their own priorities.

Future Work

This evolution from fixed working patterns to highly flexible work arrangements is a journey currently being undertaken by many employers. The leaders are now introducing results-only measurement systems and autonomous working schemes where employees have high degrees of freedom. Others are following along behind with different degrees of “agility” and varying levels of empowerment for their people. But, regardless of where they are in this journey, there is one clear direction in which they are all heading.

Alison Maitland and I chose to call this “Future Work” in the book of the same name.¹ This reflects the fact that we are moving towards a future model of work which has truly adapted to the social, technological, and economic influences of the twenty-first century. Many organizations will struggle with this change since it challenges existing power bases and established management controls. It threatens the existence of some middle managers and erodes many of the trappings of power and status in hierarchical structures.

We came across many examples of new ways of working whilst researching for the book. There were some companies such as W.L. Gore and Semco that have been able to adopt radically new ideas thanks to the vision of their CEOs. Others such as IBM, Vodafone, and Cisco have used their technologies to facilitate change. And we discovered a few that were well along the journey, seeing benefits flowing to their bottom lines.

We are moving towards a future model of work which has truly adapted to the social, technological, and economic influences of the twenty-first century

One such example is Ryan, the global tax services firm. Their MyRyan program allows employees to work anywhere any time as long as the work gets done. There are no hour requirements, no location requirements and no schedules. As reported in the book *Future Work*: “The results are impressive,” according to Delta Emerson, now chief of staff. “We have won over 100 workplace excellence awards in recent years, including the coveted Fortune ‘Great Place to Work’ award, in both the US and Canada. Ryan

employees treasure flexibility and it has helped us become a ‘talent magnet’ and reduce turnover. Additionally, the other metrics that any CEO cares about—client satisfaction and revenue—have skyrocketed. Flex is a business imperative—not a nice-to-have.”

Changing Cultures

None of this should come as a surprise. For the last fifty years, management gurus, occupational psychologists and inspired leaders have been saying the same thing. Give people instructions and they will simply follow them. Give people responsibility and they will be motivated to achieve more in their work. We have moved on from the era of “Taylorism” where work was reduced to its most simple elements and jobs were intrinsically boring. We now have the routine work done by computers and robots, and people are employed for their human skills.

But we still have organizational cultures that reflect the old approach to work. We have hierarchical structures where power is retained at the top and delegated down through layers of management. Knowledge is hoarded by managers as a way of justifying their existence rather than being shared amongst all employees. Instructions are issued from the top and obeyed by those at the bottom. People who comply with the prevailing culture are promoted into management. Those who challenge the status quo are marginalized. So it is hardly surprising to see that these organizations are resistant to change. They believe their own PR in the face of external influences and are only forced to change when they reach a crisis point.

We are about to reach the crisis point in the world of work. The generation of digital natives who have joined the working population over the last decade are questioning fundamental assumptions about employment. They are not prepared to simply do what they are told. They are asking questions about why we work the way we do, and they are not satisfied with the answers. In the rest of their lives they are using technology to free them from constraints of time and place, but their job is based on an assumption that these are fixed. They use social media to relate to friends at a distance but are expected to spend endless hours in office-based meetings as part of their jobs.

Rewarding Results

When many jobs could only be done in one place, life was simple. You turned up to work and contributed the hours. “Work” was a place you attended for your contracted time and you were paid for the hours you put in. The reward system reflected the input. Now life is more complicated. Technology has

freed work from the constraints of a fixed place and given the worker more choice over when to perform it. “Work” is no longer a place to go to, it’s an activity for a purpose. It’s a process for achieving results and it’s the output that counts. Rewarding outcomes that contribute to the goals of the enterprise seems much more logical than rewarding effort that may contribute nothing towards business success.

In today’s connected world, work is becoming more of a tradable commodity. Instead of converting work into a set of tasks to be performed by an employee it is being seen as a product that is paid by results. So to get a piece of work done it is quite practical to put out a request on the internet and to offer it to an independent contractor or freelancer. By 2020, more than 40% of the US workforce will be so-called contingent workers, according to a study conducted by software company Intuit in 2010.² That’s more than 60 million people.

Contractors and consultants will increasingly bid for work online and will be paid for results. This is an emerging form of what has been termed “crowdsourcing”—using the power of the internet to allocate tasks to people anywhere in the world by issuing a request for work. Initially, this was largely associated with finding volunteers to contribute their expertise for free. The whole free, open-source software movement is based on this model and there are high-profile examples such as Wikipedia, the free encyclopedia.

However, there is now a growing market for paid work via the internet. Elance and oDesk, both launched in the US in the mid-2000s, are two of the better-known online marketplaces where businesses can find freelance professionals to carry out work on demand.

Since 2005, Amazon has run its Mechanical Turk as a marketplace for work that allows requesters to pose “Human Intelligence Tasks” and pay people to perform them. These are typically simple repetitive tasks, such as searching for information on the Web, paid a few cents for each successful result. At the other end of the scale is Innocentive where cash awards of up to a million dollars are given for successful solutions to research problems. It’s a very attractive model for businesses able to allocate work across the internet as they can choose suppliers who will perform tasks for a fraction of the cost of employees. In fact it is quite possible to get the work done at no cost if there are enthusiastic contributors willing to donate their effort for free.

Work versus Jobs

These new ways of connecting people with work are cutting across the traditional jobs market. “Employers” no longer have to offer jobs, careers, and security to people to get their tasks performed. When they need to get something done they simply find someone to do it and pay them when it’s

completed. They don't need "employees," they need just-in-time workers to perform tasks. They don't have to worry about employment legislation and may well be sourcing the work from someone located in a different country anyway. If the individual suppliers are being paid for results then they will be in control of their own time and regulations such as a minimum wage, expressed as pay per hour, are irrelevant.

It might seem that this development is heavily biased in favor of the "employer" and that it would not be attractive to "employees" who are missing out on the benefits of a conventional job. However, there are many people who find this a better way to earn a living than be constrained by a fixed commitment to an employer. They have the flexibility to choose when they work and are in control of their lives. They will be joining the growing ranks of self-employed who are prepared to exchange the security of a regular job for the flexibility of selling their expertise on the open market.

One option that is growing in popularity is the "zero hours" contract. This arrangement gives flexibility to the employer and employee and provides some of the employee benefits that do not exist for the self-employed. In a report published in November 2013,³ the Chartered Institute for Personnel and Development in the UK looked into these contracts in depth. They reported that 23% of employers used these contracts and on average they apply to 19% of their workforce. Far from feeling exploited, almost half of these employees are satisfied with having no minimum guaranteed hours, with only a quarter saying they are not happy with the arrangement. Most zero-hours contract workers (52%) don't want to work more hours than they typically receive in an average week.

Despite some negative reactions in the media to these flexible arrangements, they are here to stay. In the CIPD survey, only 9% of the respondents said that they were not allowed to work for another employer when there was no work available under the zero hours arrangement. So, the age of the "portfolio worker" is dawning, where an individual may have several "employment" arrangements combining different part-time "jobs." The idea that someone can only work for one organization at once, and has to do this as a full-time job to be successful, is being consigned to history.

Rise of the Part-Timers

There are now many successful executives who have shed the burden of the full-time, long-hours, always-on work pattern and shown that part-time work can be equally as effective. In fact there is growing evidence that part-time workers are able to contribute more to the success of the business than full-time ones. They probably have a better work-life balance and are therefore

less stressed when doing their jobs. They are likely to bring in a more objective outside view and not be restricted to a narrow corporate version of reality.

The UK jobs website, Timewise, publishes a “Power Part Time” list which aims to bust the myth that part time is just for low-skill jobs. The list contains the inspiring stories of 50 men and women who exceed profit targets, drive innovation and manage large teams—all whilst working a contract that strikes a healthy balance with the rest of their lives. It includes chief executives, managing directors, finance directors and partners in professional services firms. These executives are doing extremely demanding roles, so they have to prioritize and manage their time well. Many of them emphasize communicating clearly and agreeing goals with their teams, and then trusting them to get on with the job.

Organizations are transforming from rigid employers to flexible networks in order to get the best results from people

The traditional view that work has to be divided into jobs, that have to be done by full-time employees, is now clearly outdated. Organizations are transforming from rigid employers to flexible networks in order to get the best results from people. They need to be able to accommodate the varied wishes of their workforce, ranging from people content to hold a full-time fixed job through to individuals wanting full control of their own work pattern. Those that adapt will survive. Those that stick with the current model will struggle.

The Future is Here

This new world of work is here already in leading organizations. In the book *Future Work*, we identified many examples of employers who have recognized that the command and control culture of the past is now out of date. Where they have introduced “smart working” or “agile working” schemes as a business strategy and changed their leadership culture, they are seeing the benefits. But those leaders that have just paid lip service to new ways of working, and not adapted their culture, will end up with frustrated employees and low productivity.

It takes clear leadership from the top to throw out some of the hierarchical processes and introduce a flatter structure. Managers have to behave in line with the new values of the business and actively empower their employees. One example of this that we quote in the book is Unilever. They have introduced radically new ways of working to their operations around the world over the past few years. Their Agile Working program was launched at the end of 2009 and contains the following principles:

- All employees may work any time and anywhere as long as business needs are fully met
- Leaders must lead by example, working in an agile way themselves
- Performance is determined by results, not time and attendance—every employee has a personal work plan identifying desired results and how they will be measured
- Travel is to be avoided whenever possible
- Managers are assessed annually on how well they support agile workers and this feeds into the variable element of their pay

Senior leaders are required to be role models by adopting “Agile Working” principles, technology, and facilities themselves. Around 20% of jobs in senior management and above are “location-free,” meaning that the executive may be based anywhere in the world. The company has invested in training people in the business benefits, in how to work and collaborate remotely, and in managing and being part of virtual teams.

Management Reactions

These new “smart working” schemes often face resistance from middle management. These are people who have worked their way up the organization by committing long hours and sacrificing their personal lives in the process. They are looking for this dedication from their employees and don’t understand why their priorities are different. These managers justify their existence by having a visible team of people working for them and a large payroll budget. To suggest that the same work could be done by a smaller group of contractors, or by people working from home, is a direct threat to their status.

The new “smart working” schemes often face resistance from middle management. These are people who have worked their way up the organization by sacrificing their personal lives in the process

They see their role as controlling their employees, allocating tasks, and showing people how to do the job. They enforce the company rules and ensure compliance in the correct procedures. In the interest of “quality performance” they insist on work being done in a standard way, which ensures consistency. They reward the people who put in the extra dedicated effort, are loyal to the organization, and don’t question the existing system too closely.

Success in the twenty-first century will rely on managers being prepared to do the exact opposite. They will need to give employees autonomy and trust that they will not abuse the freedom. They will allow people to choose to do the work the way that suits them best. They will be clear about the results that are expected and not try to dictate the detailed methodology for achieving them. They will reward creative new ideas that challenge established practices. And they will be seen to be successful by achieving results with fewer employees and lower budgets.

Working in the “Smart” Organization

The people working in these organizations will feel genuinely empowered. They will make decisions on when and where they do the work to achieve their goals. If they know they are most productive working in the evenings they might choose to spend mornings as leisure time. Instead of having to turn up to their employer’s workplace and be paid for putting in an appearance, they will choose the appropriate place of work to suit their own needs. They will be happy to be judged on results, not on the hours they spend on wasted effort.

People appreciate being treated like adults and being allowed to make decisions in their working lives that they would naturally make in the rest of life. It’s in their interest to think of smarter ways of getting the job done and achieving it in the shortest time. The best workers become those who work the least hours. Individuals question the value of the time spent in pointless meetings and are rewarded for doing so. Managers become coaches who get the best out of their people by motivating them and providing support, letting go of the reins wherever possible.

The situation is summarized well by Gary Hamel in *The Future of Management*.⁴

If there was a single question that obsessed twentieth-century managers, from Frederick Taylor to Jack Welch, it was this: How do we get more out of our people? At one level, this question is innocuous—who can object to the goal of raising human productivity? Yet it’s also loaded with Industrial Age thinking: How do we (meaning ‘management’) get more (meaning units of production per hour) out of our people (meaning the individuals who are obliged to follow our orders)? Ironically, the management model encapsulated in this question virtually guarantees that a company will never get the best out of its people. Vassals and conscripts may work hard, but they don’t work willingly.

The Virtual Workplace

Once we have broken the link between work and a fixed location, a whole range of potential workplaces emerge. It may be convenient for some people to work some of the time from home. Where this fits in with people's personal lives and their work commitments it can be highly productive. Just saving the time and

The worker in the new Future Work era will have to be able to manage this blurred border between home and work

hassle of a daily commute brings rewards but people also report significant improvements in output per hour worked at home versus a noisy office.

However, most jobs involve contact with other people. Technology is replacing some of this but there will still be a need for individuals to get together and share ideas. Some meetings will be replaced by videoconferencing or online discussion forums. Social media will help remote teams to build rapport. But there will still be a need for space for physical meetings. So the office of the future

will cater for people meeting together and using some desk space on a "drop-in" basis. Activity-based workspace allows for people moving around the building depending on the task they are performing.

But the just-in-time approach to the workplace raises a question about the need for any permanent space at all. If meeting space, or flexible office space can be rented by the hour or the day, why have the overheads of a permanent building? The workplace for many people might be a combination of a multi-user hub office, rented space in a Regus-style serviced office or a table in the local coffee shop, with the occasional day at home thrown in. For the truly mobile worker their workplace is wherever they are, as long as they have access to the internet.

Work-Life Integration

This ability to work anywhere is both a blessing and a curse for the individual employee. They may have control over when and where they choose to get their jobs done but they may also lose control of their personal lives in the process. If their boss expects them to be available at any time, wherever they are, then there is a danger that this can invade their personal lives. It can be tempting for managers to take advantage of the technology and expect their people to be available at all times.

It's also tempting for some employees to be available all the time, just to impress the boss. But eventually people start to resent the takeover of their

lives by their job. The worker in the new Future Work era will have to be able to manage this blurred border between home and work. Self management, project skills and effective communication will be important, whether someone is employed or working independently.

Along with the freedom to choose how to work comes the responsibility for producing results. Companies such as Netflix that trust their employees to control their own work patterns also expect people to be high achievers. They don't care about effort, it's all about accomplishing great work. This is illustrated by their "no policy" arrangement for vacations. Since they are not tracking the hours that people are working, it makes no sense to count the days that people are on leave.

This idea has been picked up by Sir Richard Branson who has introduced it for the Virgin parent company in both the UK and the US. As he says in his blog⁵:

Flexible working has revolutionised how, where and when we all do our jobs. So, if working nine to five no longer applies, then why should strict annual leave (vacation) policies? ... It is left to the employee alone to decide if and when he or she feels like taking a few hours, a day, a week or a month off, the assumption being that they are only going to do it when they feel a hundred percent comfortable that they and their team are up to date on every project and that their absence will not in any way damage the business—or, for that matter, their careers!

The ability to mix work and pleasure, aided by technology, will be a key factor in shaping people's lives over the next decade. If employers don't keep up with this trend they are likely to lose their best people, either to more agile organizations or to some form of self-employment. By starting from the assumption that work is an activity that can be performed anywhere and at any time, they will impose the minimum of constraints on their workforce. As long as they measure and reward output and treat people like adults they will be successful. This sounds like a simple task, but it conflicts with the prevailing culture in many businesses and may take a serious shake-up of leadership to achieve.

Notes

1

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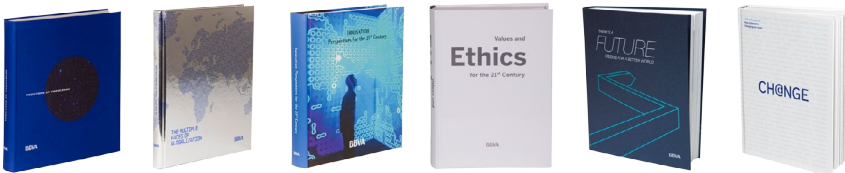
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